

ANNUAL FINANCIAL REPORT
DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2012

ERICKSEN KRENTEL & LA PORTE L.L.P.

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TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>FINANCIAL SECTION</u>		
<u>INDEPENDENT AUDITORS' REPORT</u>		1 – 3
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>		
Management's Discussion and Analysis (Unaudited)		4 – 6
<u>BASIC FINANCIAL STATEMENTS:</u>		
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)		
Statement of Net Position	A	7
Statement of Activities	B	8
FUND FINANCIAL STATEMENTS (FFS)		
Governmental Funds:		
Balance Sheet	C	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	10
Statement of Revenues, Expenditures and Changes in Fund Balances	E	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	12
NOTES TO FINANCIAL STATEMENTS		13 – 21
OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		22 – 23
Schedule of Findings and Responses		24
Summary Schedule of Prior Year Findings		25

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Des Allemands Volunteer Fire Department, Inc.
16960 Highway 90
Des Allemands, Louisiana 70030

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Des Allemands Volunteer Fire Department, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Des Allemands Volunteer Fire Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

Des Allemands Volunteer Fire Department, Inc.

June 24, 2013

Page 2

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Des Allemands Volunteer Fire Department, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2012, Des Allemands Volunteer Fire Department adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Des Allemands Volunteer Fire Department, Inc.

June 24, 2013

Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of Des Allemands Volunteer Fire Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Des Allemands Volunteer Fire Department's internal control over financial reporting and compliance.

June 24, 2013

New Orleans, Louisiana

A handwritten signature in cursive script, appearing to read "Erickson, Krentel & Laporte".

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

This section of the Des Allemands Volunteer Fire Department (the Fire Department) annual financial report presents management's analysis of the Fire Department's financial performance for the year ended December 31, 2012. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

1. The Fire Department's net position decreased by \$74,667.
2. The general revenues of the Fire Department were \$330,100.
3. The total expenses of the Fire Department were \$404,767.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the Fire Department report information about the Fire Department using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Fire Department.

The Statement of Net Position presents information that includes all of the Fire Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities presents information on how the Fire Department's net position changed as a result of current period operations.

The following presents condensed financial information of the Fire Department.

SUMMARY OF NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

	<u>ASSETS</u>	
	December 31, <u>2012</u>	December 31, <u>2011</u>
Current assets	\$ 282,422	\$ 322,803
Capital assets, net of accumulated depreciation	1,347,013	1,407,674
Debt issuance cost, net of amortization	<u>21,116</u>	<u>22,258</u>
Total assets	\$ <u>1,650,551</u>	\$ <u>1,752,735</u>

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>LIABILITIES</u>	
	December 31, 2012	December 31, 2011
Current liabilities	\$ 79,148	\$ 55,933
Long-term liabilities	<u>1,035,837</u>	<u>1,086,569</u>
Total liabilities	<u>\$ 1,114,985</u>	<u>\$ 1,142,502</u>

	<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 260,444	\$ 271,041
Restricted for fire protection	189,625	253,695
Restricted for debt service	<u>85,497</u>	<u>85,497</u>
Total net position	<u>\$ 535,566</u>	<u>\$ 610,233</u>

Total assets decreased by \$120,516 (7%). This decrease is primarily due to a decrease in cash and the disposal of various fire equipment.

Total liabilities decreased by \$27,517 (2%) primarily due to payments being made during the year on long-term debt.

Total net position decreased by \$74,667 (12%) primarily due to a decrease in revenues and an increase in fire-fighting expenditures/expenses.

**SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	December 31, 2012	December 31, 2011
General revenues	\$ 330,100	\$ 410,340
Expenditures/ expenses	<u>(404,767)</u>	<u>(390,630)</u>
Change in net position	<u>\$ (74,667)</u>	<u>\$ 19,710</u>

The change in net position decreased by \$94,377 (479%). This is a result of a decrease in grant revenues. In the prior year the Fire Department received grant funds for the purchase of radios.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

CAPITAL ASSETS

Following is a schedule of capital assets, net of accumulated depreciation:

	December 31, <u>2012</u>	December 31, <u>2011</u>
Land	\$ 78,010	\$ 67,000
Buildings and improvements	1,127,914	1,113,740
Equipment	937,454	958,365
Vehicles	<u>1,311,048</u>	<u>1,296,269</u>
Total	3,454,426	3,435,374
Less: accumulated depreciation	<u>(2,107,413)</u>	<u>(2,027,700)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,347,013</u>	<u>\$ 1,407,674</u>

The major additions to capital assets during 2012 consisted of various fire equipment.

LONG TERM DEBT

In 2007, the Fire Department borrowed \$920,000 from St. Charles Parish for the construction of a new fire station. As of December 31, 2012, the remaining balance on the loan was \$866,569.

In 2010, the Fire Department borrowed \$300,000 from a bank for the purchase of a new fire truck. As of December 31, 2012, the remaining balance on the loan was \$220,000.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

This report is designed to provide a general overview of the Fire Department and to demonstrate the Fire Department's accountability for its finances. If you have any questions about this report or need additional information, please contact Tracy Sparks, Des Allemands Volunteer Fire Department, 16960 Hwy 90, Des Allemands, Louisiana 70030.

BASIC FINANCIAL STATEMENTS

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS:

Cash and cash equivalents	\$ 155,791
Due from Parish	4,233
Prepaid expenses	36,901
Financing escrow, St. Charles Parish	85,497
Debt issuance cost, net of amortization	21,116
Capital assets, net of accumulated depreciation	<u>1,347,013</u>
 Total assets	 <u>1,650,551</u>

LIABILITIES:

Accounts payable	23,082
Accrued interest payable	5,334
Due to St. Charles Parish:	
Due within one year	10,732
Due after one year	855,837
Bond payable:	
Due within one year	40,000
Due after one year	<u>180,000</u>
 Total liabilities	 <u>1,114,985</u>

NET POSITION:

Investment in capital assets, net of related debt	260,444
Restricted for fire protection	189,625
Restricted for debt service	<u>85,497</u>
 Total net position	 <u>\$ 535,566</u>

The accompanying notes are an integral part of this statement

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ 404,767
	<u>404,767</u>
Total expenses	<u>404,767</u>
Net (expense) from governmental activities	<u>(404,767)</u>

GENERAL REVENUES:

Sales tax - 1/8 cent	122,543
Ad valorem tax	183,122
Fire insurance rebate	7,510
Other revenues	<u>16,925</u>
Total general revenues	<u>330,100</u>
Change in net position	(74,667)
Net position - beginning	<u>610,233</u>
Net position - ending	<u><u>\$ 535,566</u></u>

The accompanying notes are an integral part of this statement

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
BALANCE SHEET
DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	\$ 155,791
Due from Parish	4,233
Prepaid expenses	36,901
Financing escrow, St. Charles Parish	85,497
Debt issuance cost, net of amortization	<u>21,116</u>
 Total assets	 <u><u>\$ 303,538</u></u>

FUND BALANCE

LIABILITIES:

Accounts payable	<u>\$ 23,082</u>
 Total liabilities	 <u>23,082</u>

FUND BALANCE:

Nonspendable:	
Prepaid expenses	36,901
Financing escrow	85,497
Debt issuance costs, net of amortization	21,116
Restricted for fire protection	<u>136,942</u>
 Total fund balance	 <u>280,456</u>
 Total liabilities and fund balance	 <u><u>\$ 303,538</u></u>

The accompanying notes are an integral part of this statement

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012

Fund balance - total governmental funds	\$	280,456
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,347,013
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Long term liabilities are not due and payable in the current period and,
therefore are not reported in the governmental funds. Interest on
long-term debt is not accrued in governmental funds, but rather
is recognized as an expenditure when due. All liabilities (both current
and long term) are reported in the Statement of Net Position.

Accrued interest payable		(5,334)
Due to St. Charles Parish		(866,569)
Bond payable		<u>(220,000)</u>

Net position of governmental activities	\$	<u><u>535,566</u></u>
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DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

REVENUES:

Sales tax - 1/8 cent	\$ 122,543
Ad valorem tax	183,122
Fire insurance rebate	7,510
Interest income	309
Other revenues	<u>6,202</u>
Total revenues	<u>319,686</u>

EXPENDITURES:

Current:

Utilities:

Electricity	9,375
Gas	809
Telephone	8,605
Water	1,097

Equipment:

Maintenance	42,615
Fuel	9,401
Insurance	12,458

Buildings:

Maintenance	7,360
Insurance	14,975

Personnel:

Insurance	13,599
Training	4,198

Fire fighting supplies	30,056
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Miscellaneous:

Accounting and auditing	4,800
Professional services	500
Dues and subscriptions	1,723
Office expenses	18,203
Meetings and other	10,530
Medical	<u>2,791</u>

Total current expenditures	193,095
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Capital outlays:

Equipment purchases and building improvements	89,228
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Debt repayment:

Debt retirement	50,064
Interest expense	61,176
Amortization of debt issuance cost	<u>1,142</u>

Total debt repayment expenditures	<u>112,382</u>
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Total expenditures	<u>394,705</u>
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(Deficiency) of revenues over expenditures	<u>(75,019)</u>
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OTHER FINANCING SOURCES:

Proceeds from insurance	<u>10,414</u>
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Net change in fund balance	(64,605)
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FUND BALANCE, BEGINNING OF YEAR	<u>345,061</u>
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FUND BALANCE, END OF YEAR	<u>\$ 280,456</u>
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The accompanying notes are an integral part of this statement

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balance - governmental fund	\$ (64,605)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$89,228 was less than depreciation expense of \$149,889 in the current period.	(60,661)
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Repayments of note principal are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the statement of activities.	50,064
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Under the modified accrual basis of accounting used in the governmental funds, interest on long-term debt is not recognized until due, rather than as it accrues.	<div style="border-top: 1px solid black; display: inline-block;">535</div>
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Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (74,667)</div>
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DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Des Allemands Volunteer Fire Department, Inc. (Fire Department) receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Fire Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Fire Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The Fire Department has no component units.

The accounting and reporting policies of the Fire Department conform to generally accepted accounting principles as applicable to governmental units.

Basis of Presentation

The Fire Department's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Fire Department are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Basic Financial Statements - Government-Wide Financial Statements (GWFS)

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Fire Department's fire protection activities and related general administrative services are classified as governmental activities. The Fire Department does not have any business-type activities.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Financial Statements (GWFS)
(continued)

The government-wide Statement of Net Position (Exhibit A) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The Fire Department's net position is reported in two parts – invested capital assets and restricted for various purposes.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the Fire Department's function. The function is supported by general government revenues (1/8 cent sales tax and ad valorem tax). The Fire Department does not receive related program revenues and operating grants which would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the Fire Department as an entity and the change in the Fire Department's net position resulting from current year's activities.

Basic Financial Statements – Fund Financial Statements (FFS)

The financial transactions of the Fire Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The Fire Department's current operations require the use of only the following fund type:

Governmental Fund:

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the Fire Department.

General Fund

The General Fund is the principal fund of the Fire Department and is used to account for the operations of the Fire Department. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The Fire Department records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20th day of the month following incurrence of the taxes by businesses.

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2020. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Revenues (continued)

All other revenues are recorded when received.

The majority of the Fire Department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Cash

The Fire Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The Fire Department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or its agent, in the Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the Department's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the Department's name, and deposits which are uninsured or uncollateralized.

At December 31, 2012, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	<u>Bank Balances Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Cash	<u>\$ 155,791</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,791</u>

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 2012.

Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire Department maintains a threshold level of \$1,000 or more for recording capital assets. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets are recorded in the Statement of Net Position and depreciation is recorded in the Statement of Activities. Since surplus assets are sold for an immaterial amount or scrapped when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 - 15 years
Fire protection vehicles	5 - 15 years
Fire stations and other buildings	10 - 40 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and unassigned. The Board of Directors, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment. For assigned fund balance the Board of Directors authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the Department's policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use it is the Department's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

During the year the Fire Department adopted the provisions of GASB Statement No. 63, *"Financial Reporting of Deferred Outflows and Resources, Deferred Inflows of Resources, and Net Position"*. GASB Statement No. 63 provided financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management Review

Management has evaluated subsequent events through June 24, 2013, the date which the financial statements were available to be issued.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

2) SALES TAX REVENUE

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. For December 31, 2012, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Funds 1/1/12-12/31/12</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.78 %
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.10 %
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	22.72 %
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	7.00 %
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.47 %
Luling Volunteer Fire Dept., Inc.	\$ 2,500	30.85 %
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	9.81 %
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.93 %
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	15.34 %

(3) DUE FROM PARISH

Revenue receivable at December 31, 2012 consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 2012, collected on or before December 20, 2012 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2013.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2012.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(4) CAPITAL ASSETS

	Balance 1/1/12	Additions 2012	Retirements 2012	Balance 12/31/12
Fire protection vehicles	\$ 1,296,269	\$ 14,779	\$ -	\$ 1,311,048
Equipment	958,365	49,265	(70,176)	937,454
Buildings	1,113,740	14,174	-	1,127,914
Land	<u>67,000</u>	<u>11,010</u>	<u>-</u>	<u>78,010</u>
	3,435,374	89,228	(70,176)	3,454,426
Less: accumulated depreciation	<u>(2,027,700)</u>	<u>(149,889)</u>	<u>70,176</u>	<u>(2,107,413)</u>
Total capital assets, net	<u>\$ 1,407,674</u>	<u>\$ (60,661)</u>	<u>\$ -</u>	<u>\$ 1,347,013</u>

Depreciation expense for the year ended December 31, 2012 was \$149,889.

(5) LONG-TERM DEBT

	Balance 1/1/12	Additions	Reductions	Balance 12/31/12	Due Within One Year
Intergovernmental payable to St. Charles Parish, interest rates ranging from 4.45% to 6.45%, maturing on August 1, 2036. Secured by a pledge of future sales tax.	\$ 876,633	\$ -	\$ 10,064	\$ 866,569	\$ 10,732
Tax Exempt Certificates of Indebtedness, Series 2010 DVFD, payable to Hancock Bank, interest at 3.79%, due March 1, 2017. Secured by general revenues.	<u>260,000</u>	<u>-</u>	<u>40,000</u>	<u>220,000</u>	<u>40,000</u>
Total	<u>\$ 1,136,633</u>	<u>\$ -</u>	<u>\$ 50,064</u>	<u>\$ 1,086,569</u>	<u>\$ 50,732</u>

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

(5) LONG-TERM DEBT (CONTINUED)

Following is a summary of future principal and interest requirements:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 50,732	63,160	\$ 113,892
2014	51,445	60,931	112,376
2015	57,206	58,560	115,766
2016	58,017	56,044	114,061
2017	63,882	53,378	117,260
2018-2036	<u>805,287</u>	<u>827,288</u>	<u>1,632,575</u>
	<u>\$ 1,086,569</u>	<u>\$ 1,119,361</u>	<u>\$ 2,205,930</u>

Interest costs incurred and charged to expense for the year ended December 31, 2012 was \$60,641.

(6) RISK MANAGEMENT

The Fire Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to firemen; and natural disasters. The Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

ERICKSEN KRENTEL & LA PORTE L.L.P.

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JAMES E. TONGLET†

*PROFESSIONAL CORPORATION
†LIMITED LIABILITY COMPANY
BENJAMIN J. ERICKSEN - DECEASED
J.V. LECLERE KRENTEL - DECEASED

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Des Allemands Volunteer Fire Department, Inc.
16960 Highway 90
Des Allemands, Louisiana 70030

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Des Allemands Volunteer Fire Department, Inc. (the Fire Department) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Fire Department's basic financial statements and have issued our report thereon dated June 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Des Allemands Volunteer Fire Department, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Des Allemands Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Des Allemands Volunteer Fire Department, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet

Des Allemands Volunteer Fire Department, Inc.

June 24, 2013

Page 2

important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Des Allemands Volunteer Fire Department, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Des Allemands Volunteer Fire Department, Inc.'s Response to Findings

Des Allemands Volunteer Fire Department, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Des Allemands Volunteer Fire Department, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 24, 2013

New Orleans, Louisiana



Certified Public Accountants

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Des Allemands Volunteer Fire Department, Inc.
2. One material weakness disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Des Allemands Volunteer Fire Department, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No management letter was issued for the year ended December 31, 2012.

SECTION II FINANCIAL STATEMENT FINDINGS

2012-01 Segregation of Duties

Criteria: Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts and disbursements.

Effect: Intentional or unintentional errors could be made and not be detected.

Cause: The Department is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel.

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and independent review functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

Management's Response: Management agrees with the recommendation; however, because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Department.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2011-01 Segregation of Duties

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives relative to cash receipts and disbursements.

The Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.

**CORRECTIVE ACTION PLAN RELATIVE TO
INTERNAL CONTROL FINDINGS**

June 24, 2013

Louisiana Legislative Auditor

Des Allemands Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/12 to 12/31/12

The findings from the December 31, 2012 report on internal controls are discussed below. The findings are numbered consistently with the number assigned in schedule of findings and responses.

2012-01 Lack of Segregation of Duties

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and independent review functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

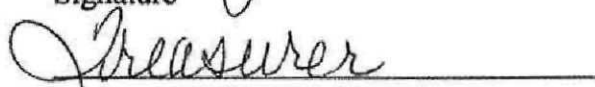
Response: Management agrees with the recommendation; however, because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, thoroughly monitors and reviews all financial transactions of the Department.

If there are any questions regarding this plan, please call Tracy Sparks at (985) 758-7766.

Sincerely,


Signature

6/24/2013


Title